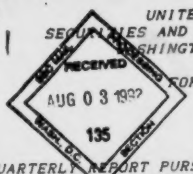
0 30893
D 35281

92 19 7617



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

10-Q
A92-2219

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended February 29, 1992

_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
10-10-V
AUG 5 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Commission File Number 0-18152

Art World Industries, Inc.
(Exact name of registrant as specified in its charter)

L30

Delaware	13-3349556
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5966 Bowcroft Street, Los Angeles, California	90016
(Address of principal executive offices)	(Zip Code)

(213) 204-3080
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ___X___ No _____

As of February 29, 1992, the registrant had outstanding 6,963,501 shares of common stock, $.001 par value.

BEST COPY
AVAILABLE

ART WORLD INDUSTRIES, INC.

INDEX

		Page
PART I.	FINANCIAL INFORMATION	
Item 1.	Condensed Consolidated Balance Sheets at February 29, 1992 (unaudited) and August 31, 1991. (unaudited)	4
	Condensed Consolidated Statements of Operations for the six months ending February 29, 1992 and February 28, 1991 (unaudited)	5
	Condensed Consolidated Statements of Operations for the three month period ending February 29, 1992 and February 28, 1991 (unaudited)	6
	Condensed Consolidated Statement of Cash Flow for the six months ending February 29 1992 and February 28, 1991.(unaudited)	7
	Notes to Condensed Consolidated Financial Statements.	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	8
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings.	9
Item 2.	Changes in Securities.	10
Item 3.	Defaults Upon Senior Securities	10
Item 4.	Submission of matters to a Vote of security holders.	10
Item 5.	Other Information	10
Item 6.	Exhibits and Reports on Form 8-K	10

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ART WORLD INDUSTRIES, INC. and SUBSIDIARIES

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the financial statements include all adjustments necessary to present fairly the financial position of the Company as of February 29, 1992 and August 31, 1991, the results of its operations for the six months ended February 29, 1992 and 1991, and its cash flows for the six months ended February 29, 1992 and 1991. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report.

ART WORLD INDUSTRIES, INC AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

ASSETS

	February 29, 1992 unaudited	August 31, 1991
CURRENT ASSETS		
Cash	$ 2,798	$ 33,611
Accounts receivable, net of allowance for doubtful accounts	588,242	898,835
Inventories	3,264,148	3,214,764
Prepaid expenses	-	12,285
TOTAL CURRENT ASSETS	3,855,186	4,159,495
Furniture, fixtures and equipment, net of accumulated depreciation	24,895	63,466
OTHER ASSETS		
Art plates	380,000	380,000
Deposits	13,580	13,580
Organization costs-net	11,500	12,000
TOTAL OTHER ASSETS	405,080	425,580
TOTAL ASSETS	$ 4,285,161	$ 4,628,541

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Current portion of long term debt	$ 27,000	$ 59,339
Accounts payable and accrued expenses	346,209	509,498
Loans and notes payable	1,228,703	1,385,472
Payroll and sales tax payable	125,814	92,036
TOTAL CURRENT LIABILITIES	1,727,726	2,046,345
Long-term debt, net of current portion	78,714	25,143
Loan payable-officer-stockholder	338,401	299,182
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value: authorized 50,000,000 shares: issued and outstanding 6,963,501	6,963	6,963
Additional paid-in capital	4,113,605	4,113,605
Deficit	(1,835,248)	(1,717,697)
Less treasury stock	(145,000)	(145,000)
TOTAL STOCKHOLDERS' EQUITY	2,140,320	2,257,871
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,284,161	$ 4,628,541

ART WORLD INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Statement of Income
(unaudited)

	For the three months ended February 29, 1992	1991
SALES	$ 420,412	$1,284,328
COST OF GOODS SOLD	99,952	702,472
GROSS PROFIT	320,460	581,856
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	231,595	388,637
NET INCOME BEFORE PROVISION FOR FEDERAL AND STATE INCOME TAXES	88,865	193,219
NON-RECURRING ITEMS:		
Reserve against losses of investments in marketable securities	-	200,000
Recapture of reserve for losses from lease abandonment	-	101,162
NET INCOME BEFORE PROVISION FOR FEDERAL AND STATE INCOME TAXES	88,865	94,381
PROVISION FOR INCOME TAXES	35,156	43,851
INCOME BEFORE EXTRAORDINARY ITEMS	53,709	50,530
NET INCOME PER SHARE BEFORE EXTRA-ORDINARY ITEM	.0077	.0073
EXTRAORDINARY ITEM: TAX BENEFIT FROM NET OPERATING LOSS CARRYOVER	36,843	39,462
NET INCOME	$ 90,652	$ 89,992
NET INCOME PER SHARE	$ .01	$ .01

ART WORLD INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Statement of Income
(unaudited)

	For the six months ended February 29, 1992	1991
SALES	$1,296,893	$2,540,279
COST OF GOODS SOLD	506,630	1,319,055
GROSS PROFIT	790,263	1,221,224
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	627,944	753,042
NET OPERATING INCOME BEFORE PROVISION FOR FEDERAL AND STATE INCOME TAXES	162,319	468,182
NON-RECURRING ITEMS:		
Reserve against losses of investments in marketable securities	-	200,000
Recapture of reserve for losses from lease abandonment	-	101,162
NET INCOME BEFORE PROVISION FOR FEDERAL AND STATE INCOME TAXES	162,319	369,344
PROVISION FOR INCOME TAXES	64,604	171,605
INCOME BEFORE EXTRAORDINARY ITEMS	97,715	197,739
INCOME PER SHARE BEFORE EXTRAORDINARY ITEMS	0.015	0.03
EXTRAORDINARY ITEM:		
Tax benefit from net operating loss carry-foreward	61,591	154,431
NET INCOME	$ 159,306	352,170
INCOME PER SHARE	$ 0.024	0.05

ART WORLD INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	For the six Months ended February 29, 1992	1991
Cash Flows from(to) Operating Activities		
Net income (loss)	$ 159,309	$ 352,170
Adjustment to reconcile net income to net cash from operations:		
Depreciation and amortization	24,550	29,075
Increase (decrease) in cash resulting from changes in current assets and current liabilities.		
Accounts Receivable	310,593	25,628
Inventories	(49,384)	43,777
Investment in Marketable Securities	-	(37,764)
Prepaid Expenses	12,285	12,563
Current Maturities of long-term debt	(32,339)	(19,050)
Accounts Payable and Accrued Expenses	(163,289)	(336,927)
Loans and Notes Payable	(156,769)	5,591
Payroll and Sales Tax Payable	33,778	1,777
Loss from Lease Abandonment	-	(159,904)
Reserve against loss of investment	-	200,000
Franchise Tax Payable	-	17,174
Net Cash Flow from (to) Operations	138,734	134,110
Cash Flows from (to) Investing Activities		
Capital Expenditures	(45,944)	-
Cash Flows (to) Financing Activities		
Repayment of Long-term Debt	22,756	(19,655)
Repayment of Loans From Officers/Directors and Stockholders	39,219	(59,566)
Increase in Deposits for Art	-	(50,500)
Net Cash Flows (to) Financing Activities	61,975	(132,421)
Increase (Decrease) in Cash	(30,815)	1,689
Cash, Beginning of Period	33,611	32,047
Cash, End of Period	$ 2,796	$ 33,736

ART WORLD INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Summary of Significant Accounting Policies.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the financial statements include all adjustments necessary to present fairly the financial position of the Company as of February 29, 1992 and August 31, 1991, the results of its operations for both the three month and six months period ended Feoruary 29, 1992 and 1991, and its cash flows for the six months ended February 29, 1992 and 1991. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report.

Note 2. Related Party Transactions

From time to time and as required, various officers, directors and or stockholders have loaned to the Company amounts necessary to cover certain cash requirements. These loans are non-interest bearing and a repayment schedule has not been established as these loans have been subordinated to certain long-term debt. The amounts shown on the balance sheet are distributed as follows:

Basil R. Collier	$246,751
Robert Zane	32,285
Ira Kaplan	(3,222)
Robert Kohn	62,587
	$338,401

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

Art World Industries, Inc. ("The Company"), prints, publishes and sells a wide range of art, principally at wholesale, throughout the United States and world. The Company provides fine art, original oil paintings and high quality reproductions primarily to the gallery market. The Company also provides a variety of lesser quality prints to national retailers. The Company utilizes innovative marketing techniques and packaging formats for the mass merchandise market.

Results of operations for the three months ended February 29, 1992, and February 28, 1991.

Revenues

Revenues of $420,412 declined by approximately 67% for the three

months ended February 29, 1992, compared to revenues of $1,284,328 for the three months ended February 28, 1991. This decline is the result of the recession currently being experienced. The decline in sales, includes all types of sales, foreign, domestic and national retail. In the opinion of management, the decline in sales, while deeper and of longer duration than expected, should turnaround in the next period. This is indicated by inquiries and orders for future sales.

Cost of Goods Sold

The cost of goods sold represents approximately 24% of gross revenue for the tree months ended February 29, 1992, compared to approximately 55% for the three months ended February 28, 1991. The favorable percentage for the recent quarter reflects a larger percentage of sales of art published by the company.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased as a percentage of revenues., representing approximately 55% of the gross revenues for the three months ended February 29, 1992, compared to 30% for the three month period ended February 28, 1991. The increase is the result of the reduction in gross revenues against fixed overhead.

Liquidity and Capital

The Company's cash and net working capital resources on hand at February 29, 1992, were $2,798 and $2,127,462 respectively.

The Company's working capital requirement have been financed primarily through borrowings from officers, directors and stockholders. The Company is presently indebted to such persons in the amount of $338,401, representing principle and interest accrued through February 29, 1992. Most of these loans are on a demand basis, and were repayment demanded for all or any significant amount of these loans, it is likely that the Company would experience a severe working capital deficit, could lose the ability to pay its debts as they mature, and, under those circumstances, the Company might be required to be liquidated.

The Company expects to finance its cash requirements for daily operations from cash generated on a daily basis and inventory and receivable financing. Assuming that inventory and or receivable financing were unavailable to the Company, and assuming further that it was unable to collect is accounts receivable, then the Company would experience a lack of liquidity. The Company would attempt to remedy that lack of liquidity by accelerating collection of receivables, by issuing additional debt of equity on such terms as may then be available to the Company, or by reducing the size of its operations and related expenses. To the extent that such steps were insufficient to restore the Company's liquidity, the Company would have to drastically curtail its operations.

PART II. OTHER INFORMATION

Item 1 Legal Proceedings.

The Registrant has no knowledge of any matter required to be reported hereunder.

Item 2 Changes in Securities.

Not applicable.

Item 3 Defaults Upon Senior Securities.

Not applicable.

Item 4 Submission of Matters to a vote of Securities Holders.

Not applicable.

Item 5 Other Information.

Not applicable.

Item 6 Exhibits and Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Registrant has duly caused this report to be signed on its behalf.

ART WORLD INDUSTRIES, INC.

BY: Basil R. Collins President

Ira Kaplan C.F.O.